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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

ACTION MEMORANDUM

THE ADMINISTRATOR

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March 13, 1976

TO: The Secretary
FROM: A/AID, Daniel Parker *DP*

Post-Drought U.S. Initiatives in the African Sahel

The Problem

Your approval is required of a proposal for a U.S. initiative aimed at establishment and support of an International Development Investment Program for the Sahel.

Background

As I advised you in my recent memorandum on the FY 1978/79 Foreign Assistance Budget request, we need to move forward quickly with specific budget justification and legislative proposals for U.S. participation in an International Development Investment Program for the Sahel. Your early decision of our proposal for a Sahel Program is critical if we are to include specific legislative language in the FY 1978/79 Authorization Bill which must go forward to Congress not later than May 15. This deadline means we must seek OMB concurrence now. In addition, a meeting of the donor/Sahel community is taking place in Dakar, March 29-31 and the U.S. delegation needs your guidance on the position the United States should take. Further, Section 494(B) of the 1975 Authorization Bill directs AID to submit to the Congress by April 30, 1976 a proposal for developing a long-term comprehensive development program for the Sahel. A strong justification in defense of a new foreign aid initiative is needed since we are aware that OMB may have serious budgetary concerns with such a proposal, even though OMB is generally favorable to the concept. Thus, gaining approval within the Executive Branch of a significant new foreign assistance initiative will not be easy in an election year. But we think it important to seek to do so. To this end, your personal commitment and support are essential.

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PA/HO Department of State
E.O. 12958, as amended
May 4, 2006

~~CONFIDENTIAL~~

- 2 -

Foreign Policy Considerations

Several factors which impinge on our relations with Africa must be borne in mind as one considers the proposal in this memorandum:

1. There is much flux and tension in Africa at the moment

- A significant demonstration of interest in African development would be perceived positively, and would be highly visible, well beyond the directly-benefitted nations.
- Some of the more moderate states of Africa feel increasingly threatened by current tensions on the African continent, e.g., in Angola, Nigeria, Ethiopia. President Senghor recently communicated to you through the DAC Chairman, Maury Williams, his belief that substantial Western support for African development is needed to direct the attention and energies of young, talented Africans into positive achievement rather than rhetorical radicalism.

2. Africa is becoming more important to us in economic terms and steps are needed to assure U.S. access to African raw materials and to trade and investment opportunities

- Nigeria is now our major foreign source of crude petroleum.
- U.S. trade with Black Africa is rising faster than with South Africa.
- Total U.S. investment in Black Africa reached \$3.7 billion in 1974.
- The potential for African raw materials is still largely unknown but may be great -- recent U.S. Geological Survey work on the Bangui Anomaly, for instance, suggests the existence of major untapped resources.

3. Accelerated economic development in Africa is necessary

The number one priority for all African countries is their own economic development. Greater U.S. support for African development efforts will not eliminate political differences which exist with the African states, but it will considerably improve our capacity for dialogue with them.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 3 -

4. Some important development actions are already under way

Your presentation at the United Nations Seventh Special Session was viewed by many African leaders with great satisfaction as representing a move towards a whole new dialogue on issues of deep concern to them. This has permitted the North/South dialogue and preparations for UNCTAD IV to proceed in a positive atmosphere although this will need continuing encouragement.

- The important U.S. role in the World Food Conference and in promoting the International Fund for Agricultural Development (IFAD) has received increasing African approbation.
- Major U.S. humanitarian responses to African drought disasters have been well appreciated.
- AID is increasing its bilateral development assistance in Africa.
- Expected Congressional action on participation in the African Development Fund of the African Development Bank will be a very positive contribution.

5. A New Initiative

These steps in support of African development are important. But, given Africa's needs and expectations, a new initiative in the field of economic development could give strong evidence of continuing American support of this critical area of African concern. Such an initiative at this time could have a highly positive impact in demonstrating, in concrete terms, our commitment to meeting the issues involved in the North/South dialogue and in UNCTAD IV. It could calm some of the anxiety produced by current tensions in Africa. Your forthcoming trip to Africa would be a good time to make known U.S. support for such an initiative. This paper recommends such an initiative in the form of U.S. support for a new concept for economic development in the Sahel.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 4 -

A Proposal for an Assistance Program for the Sahel

The Problem

The drought in the Sahel has been a dramatic demonstration of the seriously deteriorating ecological condition of this region. The drought has made clear several phenomena which are under way:

- Desertification is occurring on a large-scale.
- Food production capacity in West Africa is seriously threatened. It is estimated, on the basis of present trends, that in ten years the Sahel will have the requirement to import one million tons of cereal in a normal year, equal to the largest imports made at the height of the drought.
- A repetition of the recent disaster, at much higher financial cost to the international donor community, is probable.

Further degradation of this region will occur unless dramatic new steps are taken. This degradation will affect much more than just the Sahel:

- There will be increased population pressures on reduced arable land, causing movements into other areas and subjecting them to deterioration.
- Widespread desertification can affect worldwide climate adversely -- dust from the Sahel drought affected climatic conditions in the Caribbean in 1973.

The Proposed Solution

The Africans and a number of other bilateral and multilateral donors are agreed that a major attack should be made on the ecological, economic and food production problems of the Sahel. This will be a difficult, time-consuming and complex task. One will be dealing with fundamental economic and social issues in an area approximately two-thirds the size of the United States.

Traditional aid levels and methods in the Sahel have not been able to bring about the necessary growth. Thus, AID has developed a proposal for a comprehensive multi-donor program -- the International Development Investment Program for the Sahel.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 5 -

(It should be noted that the concept of foreign assistance represented by this proposal is, in fact, a new one -- which combines the best features of existing bilateral and multilateral mechanisms and creates a basis for mutuality of interests between the United States and the beneficiaries. This concept is directed toward resolution of major development problems -- either regional problems, multi-disciplinary in nature, e.g., the Sahel; or sectoral problems, global in nature, e.g., food shortages. The concept involves and affects a multiplicity of donors as well as a multiplicity of recipients. Donor financial participation can be multilateral (involving contributions to a multilateral fund) or bilateral or a mixture of both mechanisms (at the option of the donor). U.S. involvement is contingent upon other donor and recipient adherence to pre-defined standards of performance and financial contribution. This type of program probably cannot be launched without U.S. support and, in fact, to be fully effective, probably requires strong and continued U.S. leadership and participation.)

This program which we propose for the Sahel -- like the recent IFAD initiative -- will attack the multifaceted problems of development in terms of a comprehensive strategy which interrelates planning and financial justification of required programs in a broad methodological way. It is planned so that each of the parts contributes to a definable end product -- eventual self-sufficiency of the Sahel region.

This program:

- Can provide mechanisms for donors and Africans to reach agreement on program priorities and appropriate technologies to be applied.
- Is aimed at regional needs but allows the African states to participate either on a national basis or through strengthened regional institutions.
- Provides the means through which donors can work in concert even though many of their contributions may, in fact, be made on a bilateral basis.
- Can build on the planning, organizing and coordinative capacity of existing multilateral organizations while permitting national donors to retain technological control and obtain appropriate credit for their participation.

A forum exists in which this comprehensive program strategy can now be elaborated. Through the efforts of the Chairman of the Development Assistance Committee, the Africans have welcomed the formulation of a

~~CONFIDENTIAL~~

DECLASSIFIED
PA/HO Department of State
E.O. 12958, as amended
May 4, 2006

~~CONFIDENTIAL~~

- 6 -

new international coordinative mechanism -- the Club des Amis du Sahel. This Club will have its first meeting in Dakar, Senegal on March 29 through March 31 and will be jointly chaired by the DAC Chairman and representatives of the regional organization which has been organized by the six Sahel states* -- the Interstate Committee for the Fight Against the Drought (CILSS). All traditional bilateral and multilateral donors in the region have been invited, as have representatives of several nations and organizations which have not previously been active in the region. This Club meeting can be the first stage in which this concept of working out a major regional development program can be elaborated. Most of the key donors with whom we have been working clearly hope -- as do the Africans themselves -- that such a process will result from the Club meeting.

U.S. Participation

AID has estimated that if the international community were to organize effectively for a systematic and comprehensive attack on the Sahel's development problems, a total foreign and local investment of approximately \$7.5 billion over the next ten years or so could be mobilized and permit substantial movement toward regional self-sufficiency. Investment of this magnitude would be devoted to:

- Initiating the development of major river basins -- the Senegal, Gambia, Niger and Volta, as well as the Lake Chad Basin -- to reduce dependence on annual rainfall and promote food production.
- Developing broader and more comprehensive programs for utilization and conservation of groundwater.
- Undertaking a major broad-scaled effort to improve use of dry land areas for crop and livestock, particularly in the period until comprehensive water resources development can have an effect.
- Developing transportation industries related to improved agriculture.
- Undertaking major reforestation programs.
- Developing basic infrastructure, especially transportation and communications.

* Mauritania, Mali, Upper Volta, Niger, Senegal, Chad, The Gambia.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 7 -

- Mounting a concerted, massive attack on the problems of disease and inadequately trained human resources.

Assuming that the Africans and other donors show enthusiasm for the concept of an International Development Investment Program for the Sahel -- with its implications for a comprehensive, large-scale, multi-donor attack on Sahelian development programs -- it is proposed that the U.S. take a major role at the Club meeting in promoting this concept. In this role, the United States would seek to assure that the Club meeting would be only a first step for evolving the kind of mechanism which would be needed for this comprehensive strategy and would propose means by which these mechanisms could be fully articulated. This U.S. role is important because the Africans would not wish an alternative, such as for example, IDA leadership.

Further, it is proposed that the United States plan to undertake to finance a reasonable share of such a multi-year comprehensive program. Total external financing would approximate \$5 billion, of which the U.S. might be called upon to provide up to \$1 billion (20% of estimated external donor funding) over the next ten years.

Finally, it is proposed that we seek specific legislative authority to participate in the first phase of the program. For this purpose, we would seek authorization for the appropriation of no-year funds totalling \$300 million in FY 1978/79 (\$100 million in FY 1978 and \$200 million in FY 1979). Actual appropriations and disbursements under such an authorization would be expected to occur over a somewhat longer time-frame. The "outlay" effect of this approach on the overall Presidential budget would be ameliorated by being spread over time while the U.S. can be reaping foreign policy "credits" in a shorter, more immediate time-frame.

Congressional Support for a Special Sahel Program Initiative

There have been strong and continuing indications of bipartisan Congressional support, not only for relief, but also for substantial development efforts in the Sahel. Some of these indications are:

- For the first time, the Black Caucus voted unanimously for the Foreign Assistance Act of 1973 when it included the first tranche of \$25 million Sahel Relief Funds.
- The Congress authorized and appropriated \$85 million for the Sahel and other drought affected areas in the Foreign Disaster Assistance Act of 1974 even though the Executive Branch's original request was for only \$50 million, and the Congress was well aware that a major share of this amount would go towards Sahel rehabilitation and development, not just relief.

~~CONFIDENTIAL~~

DECLASSIFIED
PA/HO Department of State
E.O. 12958, as amended
May 4, 2006

~~CONFIDENTIAL~~

- 8 -

- In the International Food and Development Assistance Act of 1975, the Congress reaffirmed its support for U.S. initiatives in planning and undertaking long-term comprehensive programs in the Sahel.
- In this same year, Congress authorized (and will probably appropriate) \$5 million for such planning, even in the absence of an Executive Branch request for such funds.

Thus, there exist strong indications that the Congress is prepared to give positive consideration to an Executive Branch proposal for long-term development financing for this region.

The Options

Option 1 -- An Active Leadership Role by the United States

Under this Option, the United States would:

- Continue its leadership role in encouraging increased donor/African collaboration in Sahel development programming, primarily through the Club des Amis du Sahel.
- Take an active role in proposing improved management and funding structures and in promoting increased resource flows into the region.
- Make a specific request in the FY 1978/79 Authorization Bill for U.S. participation in the International Development Investment Program for the Sahel of \$100 million in FY 1978 and \$200 million in FY 1979. This request would be for appropriation of funds over a longer period of time, as programs are ready, and in proportion to the level of participation by other donors.

Pros

- Would be a highly important initiative in our relations with Africa on an issue of critical importance -- economic development -- and would be a dramatic and concrete example to the Third World of our commitment to meeting the kinds of problems of the poorer countries under discussion in the North/South dialogue and related fora.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 9 -

- Would have the most impact on encouraging other donors -- both those traditionally involved and those new to the region -- to commit significant resources.
- Would be directly in line with Congressional encouragement under Section 494(B) -- African Sahel Development Program.
- Would give U.S. business the best opportunities for sales and services within a large-scale comprehensive program involving resources from many donors, probably including OPEC countries.
- Would give best promise for eventual success of this comprehensive program, leading to a reduction in future demand for U.S. food resources and disaster relief.
- Would have relatively modest near-term budgetary impact since outlays would occur over a three- to five-year period, while at the same time making an impressive and timely foreign relations impact.

Cons

- OMB and the President may resist the budgetary impact of the program (although this impact would be spread over more years than FY 1978/79).
- If the Congress is unwilling to increase overall aid levels, earmarking of this amount for the Sahel could cause pressure on other program priorities.
- While much work has been done on preparation of programs, we do not yet have a detailed investment package and OMB and the Congress may believe we are acting prematurely.

Option 2 -- United States Leadership Role but with a Limited U.S. Bilateral Contribution

Under this Option, the United States would:

- Continue an important role in bringing about increased donor/African collaboration in Sahel development programming, primarily through the Club des Amis du Sahel.
- Take an active role in proposing improved management and funding structures and in promoting increased resource flows into the region.

~~CONFIDENTIAL~~

DECLASSIFIED
PA/HO Department of State
E.O. 12958, as amended
May 4, 2006

~~CONFIDENTIAL~~

- 10 -

- Would seek Congressional approval of modest increase in aid resources for the Sahel within the normal framework of the functional categories of the FY 1978/79 authorization, but would not seek to obtain any special Congressional authorization of a Sahel Program as a separate element of the authorization. The projects/activities supported under this Option would be relevant and useful, but clearly not "stand-outs" among Africa and/or Agency priority programs.
- Would suggest a leadership role, both in terms of funding and management for IDA.

Pros

- Demonstrates interest in Sahelian development without committing the United States in advance to a specific level of participation.
- Would have smaller budgetary implications in FY 1978 and FY 1979 (although this Option would still call for some increase in the authorization request proposed to you in the AID memorandum of February 13).
- Would avoid the establishment of a large new assistance program with a sizeable direct U.S. contribution in an area of relatively low political priority which would compete for existing and other possible new initiatives in the appropriations process.
- Congress might be more willing to authorize and appropriate these more modest amounts since they would be directly related to more detailed project-by-project justification.
- If Congress does not increase aid levels in FY 1978 and FY 1979, would leave more flexibility for allocation among worldwide priorities of such amounts as are available.
- Would provide IDA with an imaginative new program which might increase IDA's political support in the Congress.

Cons

- The demonstration to Africa and the world of United States concern for the development problems of the region (and, in a more general sense, for the poorer nations of the world) would be much less dramatic. Similarly, this role would be a less positive example of a response to the needs identified by the LDCs in the North/South dialogue.

~~CONFIDENTIAL~~

DECLASSIFIED
PA/HO Department of State
E.O. 12958, as amended
May 4, 2006

~~CONFIDENTIAL~~

- 11 -

- Since the leverage of an earmarked contribution to the program would be lost, the United States would have less ability to bring about increased coordination and less impact on bringing forth resource flows from other donors.
- The prospects for success of a comprehensive program in the Sahel would be diminished and the possibility of renewed future crises increased.
- Would be less appealing to those elements of Congress which have given strong support to a positive U.S. role in the Sahel.
- A leadership role for IDA is not acceptable to the Africans who have established their own mechanism which is the Inter-state Committee (CILSS).
- The French, whose support is a prerequisite for the program to succeed, have informed us that they would not agree to IDA leadership.
- There would still be a considerable budgetary impact in Option 2 since the U.S. would be expected to provide about 25% of the increased IDA budget.

Option 3 -- A Passive U.S. Role

Under this Option, the United States would:

- Continue to participate in collaborative efforts to improve development programs in the Sahel, primarily through participation in the Club des Amis du Sahel.
- Leave to Africans and others the leadership in improving this collaboration and in efforts to obtain additional resources.
- Continue U.S. aid programs to the region at approximately those levels projected for FY 1976/77 (i.e., about \$60 million per year).

Pros

- Has the least budgetary impact in FY 1978 and FY 1979.

~~CONFIDENTIAL~~

- 12 -

- Leaves the greatest flexibility for using whatever development assistance resources are appropriated in those years for priorities as they then appear.
- Reduces AID's involvement in the extremely complex and technically difficult problems of responding to the development needs of the Sahel.

Cons

- Virtually eliminates any prospect for the United States to gain special recognition for its efforts in meeting this difficult and pervasive development problem.
- May well cause this major undertaking to be aborted or, at least, reduce the prospects for increasing overall resource flows into the Sahel -- leaving this region in a non-self-sufficient and drought-prone state which may require substantial disaster relief in the future and food aid on a continuing basis.
- Would be least responsive to Congressional and public desires that the U.S. help to resolve the fundamental development problems of the area.
- Would constitute a reversal of the leadership role that the United States has been taking in dealing with Sahelian development needs since the drought.
- Could leave a leadership void into which another power could enter.

Recommendations

AID and AF strongly support Option 1. It is firmly believed that the extent of U.S. and international interest in meeting the needs of the Sahel provides an historic opportunity. It is believed that there is sufficient Congressional support for approval of such an initiative. Approval of Option 1, demonstrating real U.S. concern about a fundamental development issue, would have a highly favorable impact on relations throughout Africa. As a commitment to the needs of the poorest countries, it would have worldwide repercussions.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 13 -

Therefore, it is recommended you approve that the United States take an active, leadership role at the March 29 meeting of the Club in promoting the concept of the International Development Assistance Program for the Sahel, and that you approve AID seeking legislative language authorizing U.S. participation in this program at levels of \$100 million in FY 1978 and \$200 million in FY 1979 (Option 1).

APPROVE _____

DISAPPROVE _____

ALTERNATIVELY, EB supports Option 2. Under Option 1, the Program would be a major competitor for the appropriation of funds for existing bilateral assistance programs, many of which are directed toward countries where we have a strong political interest. Furthermore, even though the Program would be initially presented in the AID budget request, it must be viewed as a competitor for appropriations for the existing international development banks as well as IFAD. The inclusion of IDA in a prominent role would provide a substantial funding level and competent management at the same time. The U.S. would still be able to play a prominent political role.

APPROVE _____

DISAPPROVE _____

ALTERNATIVELY, it is recommended that AID continue participation in international efforts to improve the Sahel situation, but that it not seek a leadership role and that it plan programs approximately equal to those currently planned for FY 1978/79 (Option 3).

APPROVE _____

DISAPPROVE _____

Drafted: AFR:DBrown/DShear/ES:CDMcGraw
X29244 X29000 March 9, 1976

Concurrences: AF - WESchaufele, Jr.
EB - JABWinder (Draft) 3/12/76
IO - PDMyman (Draft) 3/12/76
S/P - JPeterson (Draft) 3/12/76
H - HRobinson (Draft) 3/12/76

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